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NATIONAL INTELLIGENCE DAILY CABLE

Monday 17 April 1978

CG NIDC 78/089C

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National Intelligence Daily Cable for Monday, 17 April 1978

The NID Cable is for the purpose of informing senior US officials.

CONTENTS


PAKISTAN: Efforts To Form Government	Page 2
CHINA: High-Energy Physics Group	Page 3
CANADA: Pre-Election Budget	Page 4
BRIEFS:	Page 6



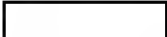
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## PAKISTAN: Efforts To Form Government

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 Pakistani Chief Martial Law Administrator Zia-ul-Haq is closer to the formation of a "national" government, but he appears to have abandoned the effort to win the participation of all political parties. The government Zia forms probably could not deal effectively with the country's basic economic and social problems.

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 He is currently negotiating with the parties on issues such as an early election and the amount of power the politicians will have in any cabinet. Zia is not expected to make significant concessions, but whatever the results of the negotiations, a government seems likely to be based only on one, or possibly two, of the small conservative religious parties and the Pakistan Muslim League, which is large but lacks cohesion and strong leadership.

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[ ] Several of the most prominent politicians opposed to former Prime Minister Bhutto have refused to participate in the new government, although Zia may have convinced them not to oppose it actively. The bulk of Bhutto's own party continues to advocate a confrontation with the military government, although one faction has agreed to cooperate with Zia.

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[ ] With the participation of only a few political parties and with Zia still in charge, either as president or prime minister, the new government probably could not deflect much of the growing criticism of the military's administration of the country. Such a government would fall far short of the broadly based coalition Zia needs to mobilize popular support for a number of difficult political and economic decisions.

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[ ] The government, nevertheless, could easily last several months or even years and would be of some help to Zia. It is unlikely, however, to make progress in solving Pakistan's basic problems. Even if Zia's current campaign against Bhutto and his followers eliminates them from the political scene, the popular economic and social discontents and aspirations that brought Bhutto to power will remain to be exploited by others.

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CHINA: High-Energy Physics Group

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[ ] *A group of scientists from the Chinese Academy of Sciences' Institute of High Energy Physics will begin two months of study at the Fermi National Accelerator in Illinois on 2 May. This will be the first group of basic research scientists from China to study in the US, even for a short period.*

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[ ] A spokesman at the recent science and technology conference in Peking termed the development of a high-energy physics experimental base a "key project" and said that the Chinese expect to complete a proton accelerator with a capacity of 30 million to 50 million electron volts in the next five years.

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[ ] They plan to use this as an injector for a half-trillion-electron-volt proton synchrotron, which may be built during the following five years. In raw energy output, the synchrotron would compare with the largest accelerators now in use in the West, but its quality for research purposes would probably not be as high.

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[ ] The Chinese have discussed the purchase of the injector accelerator from the Japanese. They would need extensive Western assistance, equipment, and advanced technology, however, to complete the synchrotron by the late 1980s. Several Chinese physicists are now studying at accelerator facilities in Europe.

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[ ] Advances in the understanding of the basic structure of matter--the object of high-energy physics--have had only a long-term economic payoff, although they have been of fundamental theoretical importance in almost all major fields of modern science. For the near term, China probably sees the expansion of its high-energy research base as a showpiece of Chinese scientific advance. Especially in the underdeveloped countries, such expansion would lend credibility to China's assertions that its socialist development can place it in the front ranks of the world scientific powers. [ ]

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#### CANADA: Pre-Election Budget

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[ ] //Canada's recently announced pre-election budget should provide a moderate stimulus to the sluggish domestic economy and could politically benefit the governing Liberal Party. The announced reduction in retail sales taxes will slow the rise in consumer prices and boost real incomes and consumption in the short run. The fiscal stimulus will do little to alleviate unemployment, however, which is at a postwar high of 8.6 percent.//

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[ ] //The new budget provides for a temporary 2 to 3 percentage point reduction in provincial sales taxes, which could boost consumer spending by an estimated \$1.1 billion. The federal government proposes to subsidize the provinces for the lost revenues. Business will benefit from increased research and development tax writeoffs and higher oil depletion allowances. The budget also proposes an assortment of minor tariff and tax measures aimed at improving Canada's international trade balance and competitive position.//

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[ ] //The moderately expansionary budget is not likely to provide much stimulus beyond the middle of the year. Any temporary stimulus to the weak consumer and business sectors could easily dissipate if sales taxes rise again in six to nine months, as the package suggests. Moreover, most provincial governments are retrenching this year in a concerted effort to hold down their burgeoning debt.//

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[ ] //The cut in retail sales taxes should cause an immediate reduction of about 1 percentage point in the rate of growth of the consumer price index and boost real incomes and consumption during the middle part of 1978. Consumers may, however, merely advance their purchases of durables by a few months, so that there would actually be little lasting effect.//

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[ ] //A sharp upturn in real personal income or consumption is not in the cards for this year. The growth in consumer spending will, however, probably run in the upper portion of our projected 2.5 to 3.5 percent range. The lack of a significant fiscal stimulus coupled with only a moderate advance in consumer spending should hold real GNP growth in 1978 to 3.5 percent at best--not enough to reduce unemployment. [ ]

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[ ]



BRIEFS

Japan-China

25X1 [ ] The Japanese Maritime Safety Agency reported that all Chinese fishing vessels that had been in Japanese-claimed waters off the Senkaku Islands since Wednesday left the area yesterday.

25X1 [ ] Earlier, the Chinese Government had rejected a protest from Japan and reiterated its own claim to the islands, but the Chinese told Japanese Foreign Ministry officials and a group of visiting Japanese members of the Diet that Peking would "investigate" the presence of the Chinese boats off the islands. The recent flare-up over the disputed islands has delayed resumption of negotiations on the long pending Chinese-Japanese peace and friendship treaty. [ ]

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NATO

25X1 [ ] //The semiannual ministerial-level meeting of the NATO Nuclear Planning Group--defense ministers of the US, UK, Italy, West Germany, and three rotating members--convenes tomorrow at Frederikshavn, Denmark. The US decision to defer production of neutron warheads and possible Soviet responses to that gesture will be a likely subject for discussion.//

25X1 [ ] //Other topics at the two-day conference will include prospects for a SALT II agreement and the usual review of recent developments and anticipated trends in the NATO - Warsaw Pact nuclear balance.//

25X1 [ ] //Danish authorities expect to handle the protest demonstrations anticipated in conjunction with the meeting.

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